

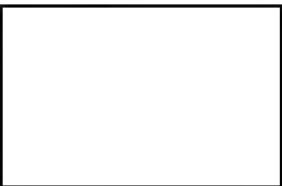
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NATIONAL INTELLIGENCE DAILY CABLE

Friday 16 December 1977 CG NIDC 77/291C

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State Dept. review completed

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National Intelligence Daily Cable for Friday, 16 December 1977.

The NID Cable is for the purpose of informing senior US officials.

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ISRAEL: Cairo Conference Begins

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████████ //Hopes are running high in Israel as the Cairo conference begins. Although the public remains in the dark on where the negotiations are headed, there is a general feeling that at least a settlement with Egypt is within reach.//

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████████ //Popular support for Prime Minister Begin has soared, giving him plenty of room to maneuver. If he should decide to adopt a softer position, Begin would almost certainly be able to carry the public with him. By the same token, expectations have been raised so high that a serious public backlash could occur if negotiations fail as a result of what appeared to be Israeli intransigence.//

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████████ //Although there is some concern that Egyptian President Sadat may not be prepared to deviate from his public positions, most Israelis in fact believe that a separate peace agreement is possible and would be the most desirable outcome.//

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████████ //There is some uneasiness, however, that Begin will not prove sufficiently flexible. His negotiating position remains an engima to the Israeli public, which is unsure whether his toughness reflects ideological rigidity or shrewd bargaining tactics. This concern has surfaced even within the governing coalition among the more dovish members of the Democratic Movement for Change, the orthodox Agudat Yisrael Party, the Liberal faction of Begin's Likud bloc, and the National Religious Party.//

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████████ //Moderates in the coalition are prepared to make territorial concessions on the West Bank and fear Begin's opposition on this score could prevent Israel from reaching agreement with Egypt even on a bilateral settlement. As a result, Interior Minister Burg, the titular head of the National Religious Party and leader of its moderate wing, recently advocated a national referendum to determine whether the public wants to give the government a mandate to negotiate a withdrawal from the West Bank.//

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████████ a consensus now appears to have formed in favor of proposing some sort of turnover of functional responsibilities along the lines advocated by Foreign Minister Dayan. Dayan apparently is trying to generate broad support within Likud for

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such a proposal. The opposition Labor Party has also come out in favor of a functional compromise at least as an interim step toward resolving the Palestinian problem.//

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████████ //In a somewhat unexpected departure, Deputy Defense Minister Ziporri, a Likud hard-liner, said in a press interview earlier this week that Israel is also prepared to give back most of the Golan Heights, except for certain strategic "footholds," and that Israeli settlers would have to decide whether they wanted to live under Syrian sovereignty or return to Israel.//

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████████ //These developments suggest that Begin and Dayan may be calculating that an offer of sweeping concessions in the Sinai, a functional compromise on the West Bank, and a substantial Israeli withdrawal on the Golan Heights would stand a good chance of meeting Sadat's criteria for a comprehensive settlement, "in principle," thus freeing Egypt to conclude a bilateral accord with Israel. They are probably skeptical that Syria and the Palestine Liberation Organization would find these proposals acceptable.//

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████████ //Should the prospects of a bilateral agreement appear to be slipping away, pressures from coalition moderates and the Labor party would probably begin to mount on Begin to reconsider his opposition to a territorial partition of the West Bank. Were Sadat in that instance, however, to continue to insist on almost total withdrawal, a bitter sense of disillusionment with negotiations could set in among the Israeli leadership and general public.//

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████████ //Meanwhile, Begin appears completely in charge. Most of the cabinet--with the exception of Dayan and Defense Minister Weizman--has not had a direct hand in formulating Israel's negotiating strategy, and has probably been kept informed only in a general way. ██████████

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USSR: Brezhnev's General Health

25X1 [redacted] Soviet President Brezhnev failed to appear at the opening of the winter session of the USSR Supreme Soviet on Wednesday or at its second meeting yesterday, apparently for reasons of health. He also suddenly canceled a meeting with West German Social Democratic Party leader Willy Brandt.

25X1 [redacted] This would have been Brezhnev's first opportunity to preside over the opening of a regular session of the Soviet legislature in his new role as head of state. Wednesday's meeting formally approved the 1978 economic plan and budget, which had been reviewed and passed on to the Supreme Soviet by a plenary meeting of the Party Central Committee the previous day. The Supreme Soviet is expected to hold its final meeting today.

25X1 [redacted] Brandt's visit had been planned for a long time, but it was never officially announced by the Soviets. In announcing its cancellation, a Social Democratic spokesman in Bonn said Brezhnev had proposed another meeting as soon as possible.

25X1 [redacted] According to the Soviet press, Brezhnev delivered a long speech to the Central Committee meeting on Tuesday. The speech has not been published, but if the Central Committee resolution was any guide, Brezhnev reviewed chronic economic problems and prescribed timeworn remedies.

25X1 [redacted] We have no evidence that Brezhnev's general health has taken a serious turn for the worse. Embassy officers had a good opportunity to observe him at close range at the funeral ceremonies for Marshal Vasiliyevskiy on 7 and 8 December and described the President as appearing to be in reasonably good health, considering his age and history of medical problems. Brezhnev will be 71 on Monday. He is prone to wide swings in physical stamina, and he carefully husbands his strength after periods of rigorous activity. [redacted]

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SAUDI ARABIA - SOUTH YEMEN

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[redacted] Saudi Arabia appears to be reverting to a less conciliatory policy toward South Yemen after a prolonged attempt to induce moderation in that country's policies through promises of economic aid.

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[redacted] Until recently, Saudi policy toward South Yemen was based on a belief that Aden would moderate its radical leftist policies if offered economic aid by Saudi Arabia and other Persian Gulf states. This policy, advocated by Crown Prince Fahd, was a reversal of the tough policy of Defense Minister Prince Sultan, who had dominated Saudi policy toward both Yemens since the late 1960s. Under Fahd's policy, the Saudis agreed to supply crude oil to Aden's refinery and established diplomatic relations with South Yemen for the first time earlier this year.

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[redacted] In addition to a general moderation of South Yemeni policies, Saudi Arabia sought three specific responses:

- An end to South Yemen's support for the Dhofari rebellion in neighboring Oman.
- An end to its support for international terrorists.
- An end to its aid and support for Ethiopia, and a withdrawal of its advisers from the conflict in the Horn of Africa.

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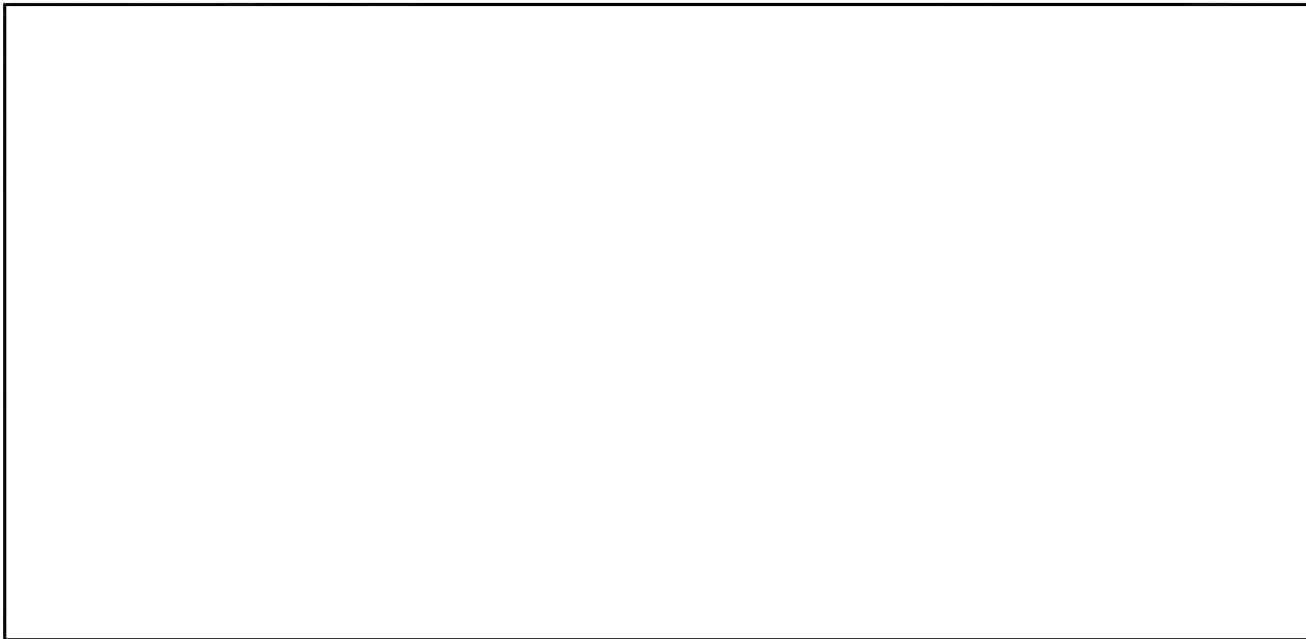
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CANADA-EURATOM: Nuclear Pact

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████████//Canada and Euratom have moved another step closer to a nuclear safeguards agreement under which Canada would resume shipment of uranium to EC members. The Euratom technical staff and the EC Commission have given preliminary approval to the draft text, which is to be submitted to the Council of Ministers for approval next Tuesday.//

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████████//Canada has been seeking safeguards agreements on the use and re-sale of its uranium in an effort to prevent nuclear proliferation. It has been especially concerned about the spread of nuclear reprocessing facilities. The EC countries have been unwilling to accept outside veto power over uranium once they have purchased it. In the compromise now being put forward, Canada agrees to "consultations" instead of "approval" before reprocessing of Canadian-supplied nuclear fuel takes place within the Community.//

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████████//If approved by the EC, the agreement then must be ratified by the Canadian Parliament. Canadian uranium producers, unhappy over the lengthy ban on shipments to their biggest customers, will be pressing Parliament to approve the pact. Canada supplies about half of the natural uranium required by EC members.//

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[redacted] //Smooth sailing is not assured. Canadian insistence that this is only an interim agreement, to last until the International Nuclear Fuel Cycle Evaluation study is completed, probably in about two years, has annoyed some West Europeans. Another stumbling block may be a French delay in giving bilateral assurance to Canada that no Canadian uranium would be used in nuclear explosions.//

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[redacted] //Canada imposed an embargo on uranium shipments to Western Europe and Japan late last year when it decided tougher safeguards should be imposed. Canadian officials recently have indicated that Canada is moderating its position somewhat because of domestic and international pressures.//

TURKEY: Coalition In Trouble

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[redacted] Turkish Prime Minister Demirel's Justice Party continues to lose strength; two more of its deputies resigned today. Nine legislators have now quit the party since October in apparent protest of Demirel's inability to deal with Turkey's mounting political and economic problems. More resignations are likely, and the survival of Demirel's coalition is now in serious doubt.

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[redacted] //Demirel's National Front coalition now commands 219 votes in the National Assembly, seven short of a majority. The three coalition partners--the Justice Party, the National Salvation Party, and the National Action Party--have met frequently in the last several days, apparently for strategy sessions. Demirel was scheduled to meet with his own administrative council last night to discuss party options, including how to placate dissident deputies frustrated about the coalition's lack of direction.//

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[redacted] //Opposition leader Ecevit, of the Republican People's Party, has been somewhat restrained in his public statements, probably in order to avoid creating an overly optimistic air of pending victory.//

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[redacted] //If Demirel does resign, Ecevit will have to create some form of coalition if he is to gain power. Ecevit has displayed little desire to unite with other parties to form a government, but he will not want to repeat his error of last June, when he attempted unsuccessfully to form a minority government. [redacted]

JAPAN: Interest in Chinese Oil

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[redacted] //Japan has apparently decided to pursue a long-term trade agreement with China under which Peking would more than double its oil exports to Japan by 1982, to 300,000 barrels per day, in exchange for industrial plants and construction equipment. Tokyo's renewed interest in the \$10 billion, eight-year deal apparently stems from a desire to push exports to Communist countries in the face of growing problems in Western markets.//

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[redacted] //Japanese consumers of Chinese oil--including refiners, steel mills, and power companies--have been the main obstacle to the negotiations, which have been under way for nearly four years. They do not want to handle large quantities of Chinese oil because:

- It currently must be blended with other crudes before processing.
- It is difficult to store, transport, and use.
- It carries less profit potential than other crudes.
- It could upset relations with Indonesian suppliers.//

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[redacted] //At present, Japan consumes about 130,000 barrels per day of Chinese crude, with about 40 percent going to power companies and steel mills for direct burning. Japanese consumers have been saying they can absorb only about 220,000 barrels per day of Chinese crude without new refinery capacity to handle the oil directly.//

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[redacted] //Tokyo is now trying to convince Japanese consumers to accept up to 300,000 barrels per day of Chinese oil by 1982, with possibly even larger shipments in succeeding years. In part, the firmer government attitude reflects the

ideas of the new Japanese Minister of International Trade and Industry, Toshio Komoto, who is a believer in export-led growth and a long-time advocate of expanding economic ties with Communist countries.//

25X1 //To encourage domestic oil consumers, the government is proposing to help finance a new 100,000-barrel-per-day cracking facility to process Chinese crude exclusively. Tokyo may also make some concessions to allow for pollution caused by the direct burning of the oil.//

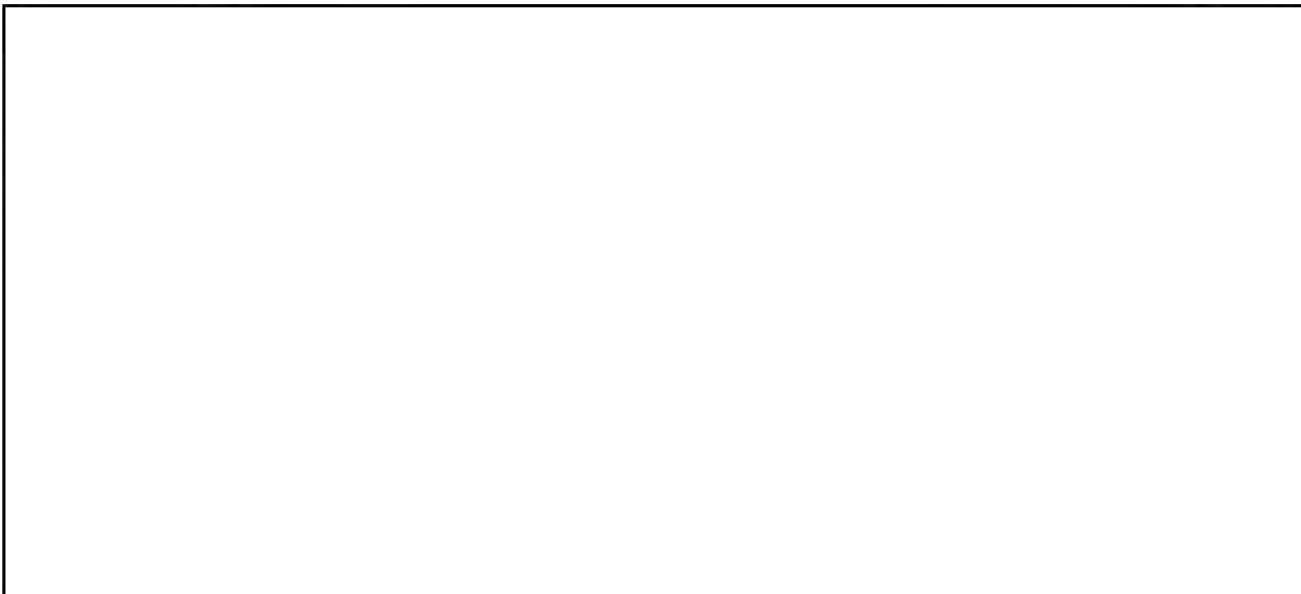
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BRIEFS

USSR

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[redacted] The Soviets' investigation of the case against dissident Anatoliy Shcharanskiy, who was arrested on 15 March, has been extended for another six months, according to Western newsmen in Moscow. Soviet legal procedure calls for an investigation leading either to an indictment or the release of the accused within nine months of arrest. Extensions of investigations, however, have been frequently obtained by the KGB in politically sensitive cases.

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[redacted] The procedural move evidently gives the Soviet leadership additional time to choose among the available options in the case and to assess their potential impact on Soviet-US relations. It also means that a major dissident trial has been avoided during the Belgrade CSCE review conference, which is about to recess.

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[redacted] The Soviets are probably aware that the extension could be portrayed abroad as Moscow's giving in to Western pressure; they may increase their propaganda alleging US intelligence involvement in Soviet dissident affairs. They may also privately stress that the extension of the investigation is for "up to" six months and does not preclude an earlier indictment and trial. [redacted]

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Netherlands

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[redacted] Dutch Prime Minister designate Andreas van Agt announced his center-right cabinet yesterday. The new cabinet is expected to be sworn in by Queen Juliana on Monday.

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[redacted] Van Agt reportedly had difficulty persuading members of the Christian Democratic or Liberal parties to accept cabinet positions because of uncertainty over whether the two-party coalition will command a majority in parliament. The new government is assured of only 70 votes in the 150-seat lower house. Van Agt is counting on the votes of seven uncommitted Christian Democrats and six other rightist deputies to attain a majority on most issues. [redacted]

Western Sahara - France

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[redacted] The Algerian-backed Polisario Front, which is fighting the partitioning of Western Sahara by Morocco and Mauritania, has agreed to release eight French hostages to UN Secretary General Kurt Waldheim on 23 December.

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[redacted] The Front has obtained maximum propaganda value from its capture of the Frenchmen and probably decided on the release at this time hoping France will now be persuaded to reduce its support to Mauritania and Morocco. [redacted]

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